

NEXUS GROUP

PROPERTY TAX CONSULTANTS

November 28, 2007

Commissioner Cheryl Musgrave
Department of Local Government Finance
Indiana Government Center North
100 N. Senate Ave., N 1058 (B)
Indianapolis, IN 46204

RE: LaPorte County Response to Denne ("October Report"), Wendt & Atherton Inquiries

Greetings Commissioner Musgrave,

The LaPorte County and Township Assessors have asked that we respond on their behalves in this matter. All the assessors, as well as other LaPorte County officials, are concerned by this latest report, and the continual challenges to the assessment and taxation process in general raised by a small group of well-funded taxpayers. We appreciate the opportunity to again respond to these allegations.

Please note that this is the third review of the 2006 real property assessments of LaPorte County by the Indiana Department of Local Government Finance (DLGF) and all other interested parties. The first review and approval of LaPorte County's 2006 assessments by the DLGF occurred on March 16, 2007. This approval occurred shortly after our review and complete rebuttal of a non-conforming ratio study of LaPorte County performed by Mr. Denne in February 2007. Our review (enclosed) was submitted to the DLGF on March 9, 2007. The second review occurred subsequent to the Marion County re-assessment order when the DLGF re-examined all counties' real property assessments. LaPorte County's 2006 assessments were again re-approved by the DLGF on September 7, 2007. This inquiry represents the third, and hopefully last, review of the 2006 real property assessments in LaPorte County. We are seeking re-approval of these same 2006 real property assessments.

Format of LaPorte County Response

Documents in order of their appearance:

- LaPorte County November 2007 Response
- Denne February 2007 Study
- LaPorte County March 2007 Response
- CD containing:
 1. LaPorte County 2006 ratio study - final
 2. Hamilton County Re-worked Ratio Study
 3. Monroe County Re-worked Ratio Study
 4. Knox County Re-worked Ratio Study
 5. Rush County Re-worked Ratio Study
 6. Hancock County Re-worked Ratio Study

The data used for the LaPorte County 2006 ratio study is comprised primarily of valid sales from 2004, 2005 and 2006. The DLGF website (http://www.in.gov/dlgf/rates/PTRC_Withholding112107.pdf) notes these databases are fully compliant for all years. All other listed information is derived from the 2007 real property ratio studies provided by the respective counties to the DLGF. Neither study by Mr. Denne included the actual data sets; only the summary results which prevents us from noting all the differences between those reports and that supplied by LaPorte County.

Background

As the DLGF files should indicate, LaPorte County first had the opportunity to respond to similar allegations earlier this year (response attached) At that time, Mr. Wendt had contracted with Mr. Denne of *Almy, Gloudemans Jacobs & Denne* for a similar purpose and study ("February Report").

After review of the February Report, several major flaws were noted in Mr. Denne's analysis. We are including a short synopsis of that review here to better demonstrate this consultant's actual performance in regard to measuring assessment quality in Indiana. Likewise, at least one of the problems in the February Report continues under a new guise in the October Report.

Denne February Report – Fatal Flaws

The report makes two critical assumptions about Indiana assessments and the annual adjustment process. Unfortunately, both of these assumptions are in error. Those assumptions:

1. A General Reassessment did not occur (in LaPorte County).

This assumption is inherent in the comments in page 1, second paragraph, and further illustrated in page 2, first paragraph. In fact, as Mr. Denne points out, *"Some of these factors would be expected, rather than indicative of sales chasing, if there had been a general reassessment between years 2005 and 2006."*

The information we provided at the time and subsequently to all parties indicated that in effect, most aspects of a general reassessment had occurred. Values were not simply "factored up" by a change in relevant price level, as Mr. Denne contemplates in page 1, paragraph 2. Please reference our March 9, 2007 response to the February Report. Clearly, LaPorte County's work on the 2006 assessed values more closely resembles a reassessment as compared to some type of factoring process based on price or sales indices.

2. Comparison of 2005 AV and 2004-5 sales vs. 2006 AV and 2004-5 sales can be used to draw inferences about the local assessment procedures.

This method is proposed by Mr. Denne in page 2, paragraph 1 where he explains that a reliable measure for ascertaining "sales chasing" would compare *"COD's calculated for the ratios of the year-2005-assessments divided by validated sales prices and those calculated for the ratios of the year-2006-assessments divided by the same sales prices."*

That assumption was completely flawed. As hopefully all parties are now well aware, real property assessments for assessments years 2002-2005 inclusive are to be based on a valuation

date of 1-1-99 (see for example: Real Property Assessment Guidelines for 2002- Version A, and/or IC 6-1.1-4 and/or 50 IAC 21. Therefore, the 2005 assessments utilized by Mr. Denne are based on sales and other value-in-use observations to approximate value as of **1-1-99**. The 2006 assessments utilized by Mr. Denne as based on sales and other value-in-use observations to approximate value as of **1-1-05**.

Our analysis is reiterated here to provide some perspective on Mr. Denne's demonstrated familiarity, or perhaps lack thereof, with Indiana's assessment system and assessment measurement procedures. Mr. Denne's February Report was inherently flawed. Rightfully so, the DLGF dismissed his work at that time. The outcome of that in-depth investigation was the DLGF's original approval of the county's 2006 ratio study on March 16, 2007. As will be demonstrated below, the October Report and conclusions are equally unsound.

Denne October Report – Faulty Perspectives and Conclusions

Denne's October Report concludes that 2006 real property assessments in most all property classes and townships of LaPorte County fail the various statistical tests for assessment accuracy and uniformity. That finding is in direct conflict with the 2006 LaPorte County Ratio Study submitted to and approved by the DLGF.

Wherein lies the difference? Which study is more accurate? How can information presumably of the same datasets reach such vastly different conclusions?

The answer is quite simple: Denne's October report focuses almost exclusively on a sales comparison of **2006** assessed values versus **2006** sales prices. Those dates are critical to the fatal flaw of Denne's October report.

Per the Denne October report, 2247 valid sales from **2006** were compared with **2006** assessed values for the same parcels (see page 6). The statistical analysis results are reported in Table 1 and Table 2. This fact is reiterated on Page 4, second paragraph.

"Notionally, using sales from 2006 to evaluate the accuracy of such (2006) assessments would have helped to ensure the objectivity of the evaluation, inasmuch as those sales would normally have occurred after the assessors would have had their last opportunity to assess sold properties differently than those that had not been sold recently." See page 4 lines 23-26.

Denne then continues with analysis in Tables 3 and 4 by augmenting the 2006 valid sales with 472 usable valid sales from the 2004 and 2005 time period.

Although Denne reports approximately the same number of valid sales in 2004 and 2005 as what was reported to the DLGF and what was used in the 2006 LaPorte County ratio study (approximately 2900 sales), only 472 sales are utilized. The sales from 2004 and 2005 are combined with sales from 2006 in Table 3 and Table 4.

Although the report is quite well-done with superior graphical representations of the supposed "vast" problems of LaPorte County's 2006 real property assessments, the data itself boils down to the use of

primarily 2006 sales in comparison with 2006 assessed values. While this information could be used to direct **2007** annual adjustments under 50 IAC 21, it sheds no light on the quality of 2006 real property.

Error #1: Flawed Perspective

Allow us to reiterate what information Denne has provided as the foundation for Tables 1, 2, 3 and 4. Denne utilizes 2247 valid sales from **2006** to study **2006** assessment quality. He “notionally” feels that such a comparison would be an objective measure.

That notion differs markedly from current Indiana Administrative Code.

*50 IAC 21-3-3 Sec. 3. (a) The local assessing official shall use sales of properties occurring between **January 1, 2004, and December 31, 2005**, in performing sales ratio studies for the **March 1, 2006**, assessment date. For assessment years occurring March 1, 2007, and thereafter, the local assessing official shall use sales of properties occurring the two (2) calendar years preceding the relevant assessment date.*

(b) The valuation date is January 1 of the year preceding the year of the assessment date. Sales occurring before or after that date shall be trended if appropriate, in accordance with the IAAO standard. The time adjusted sale price shall become the basis for all ensuing analysis undertaken under this article.

This section of Indiana Administrative Code clearly specifies that sales from the **prior** two calendar years are to be used for the requisite ratio studies in 50 IAC 14 as well as for annual trending of assessments.

In other words, Denne errs by using sales from the 2006 time period to measure the assessment uniformity and accuracy of 2006 pay 2007 assessments. Sales from 2004 and 2005 were to be used per 50 IAC 14 and 50 IAC 21.

Further, all the DLGF 2006 re-trending orders specify that sales from 2004 and 2005 should be utilized. (See paragraph 9 of orders for Delaware, Gibson, Jay, Montgomery, Pike, Sullivan and Warren counties; paragraph 17 of orders for Adams, Blackford, Crawford, Fulton, Jennings, Ohio, Parke, Ripley, Scott and Switzerland counties; paragraph 28 of the Shelby County order.)

Indiana Administrative Code, the re-trending orders and past practice all indicate that real property assessed values for 2006 pay 2007 shall be based on sales from the 2004-5 time period.

Denne attempts to time-trend the 2006 sales via information from the Office of Federal Housing Enterprise Oversight (OFHEO). Page 34 of the December 31, 2006 report is included here as an attachment. Please note that the percentage change (3.3%) suggested for Michigan City-LaPorte, IN is an overall statistic, presumably across the entire statistical area. Of course, there is more than sufficient data available to simply use the dataset specified in 50 IAC 21 (2004 and 2005 sales), obviating the need to broadly time-adjust sales from 2006.

Why apply broad, non-specific, time-adjustments to sales from 2006 when at least as much data was available to Denne for 2004 and 2005?

As we demonstrated in our March 9, 2007 response, all 2006 real property assessments were based on specific neighborhood-level information. Specific neighborhood adjustments are called for in 50 IAC 21. We are utilizing the sales data from 2005 and 2006 in the annual adjustment procedure for 2007 real property assessments - not 2006 assessments - as specifically specified in the DLGF's latest memo on the subject {http://www.in.gov/dlgf/memos/1060_001.pdf at 4(b)}. Denne's October Report attempts no neighborhood-based time-trending computation. Of course, significant and compliant sales information was readily available for 2004 and 2005, as specified in 50 IAC 21; Denne makes no independent use of data from the specified time period.

No independent review of Denne's datasets for either the February Report or the October Report is possible since in both cases, Denne neglected to provide the specific observations. We suspect that many of the outlier sales included in Denne's October report are the same outliers that we and the townships have field inspected and corrected over the past months for the 2007 annual trending process. With regard to commercial and industrial sales outliers, we have made attempts to closely examine each transaction and in many cases site visited the property for:

- 1) validity of sales condition, changes in condition between sales date and assessment;
- 2) possible inclusion of personal property;
- 3) inclusion of intangible business value, franchise value and similar;
- 4) property characteristics (grade, condition, effective age, etc.).

Based on these inspections, net adjustments to sales price and individual property assessments continue to be made, and will continue up to the conclusion of the 2007 real property adjustment process. Additionally, similar adjustments have been made to non-sold, comparable properties in the same neighborhoods, market areas or townships.

With regard to residential sales outliers likely used in the Denne October report, similar analysis has been conducted. Several of the sales outliers had been inadvertently marked "valid" in the county's sales disclosure form data base that are truly invalid (related parties, forced sale, foreclosure, etc.) Several of these sales outliers are also multiple parcel sales that had not identified as such. Of course, the use of these sales in a simple comparison against 2006 assessments would yield vast, superfluous differences, as Denne notes. Finally, the vast majority of the 2006 residential sales outliers used by Mr. Denne in his skewed comparison are likely the same sales on which field studies were based, that have been and are occurring throughout LaPorte County. These site visits review all elements of a property's basic assessment: effective age, grade, condition, even measurements. Further, the neighborhood delineation is also part of the field review as proper annual trending requires constant attention to market areas, the same type of analysis recommended in 50 IAC 21. As in every other county in which we provide trending services, these effective age studies have become the single most important part of our work in providing uniform and accurate assessments. LaPorte County has been and continues to be no different. A significant amount of time and effort has been spent viewing comparable non-sold residential properties in those areas identified in the 2007 preliminary ratio study at the township and neighborhood level. Again, the 2006 sales are the basis for this review, not as the basis for determining the 2006 assessments.

In summary of the Denne October report Error #1 – sales from 2004 and 2005 only should have been used to measure 2006 assessment quality. His focus on sales from 2006 as a measurement of the quality of 2006 pay 2007 real property assessed values reflects negligence of basic annual adjustment procedures as outlined in Indiana Administrative Code.

Error #2: Insufficient Use of Sales Data

Denne does add 472 valid sales from 2004 and 2005 to his 2006 sales in the analysis reported in Tables 3 and 4.

However, he notes that approximately 2900 valid sales existed in the files provided to the DLGF and to Denne/Wendt. Further, the 2006 LaPorte County Ratio study as submitted and twice approved by the DLGF utilizes approximately 2915 valid sales. Only 78 sales (3%) were used outside of the specified 2004-5 time period.

Again, the sales database provided to Mr. Denne/Wendt and to the DLGF comprises about 2900 valid sales from the 2004-5 time period. Mr. Denne's October report uses only 472 of these valid sales. Eighty three percent (83%) of the valid sales from the 2004-2005 time frame are NOT used for some reason with scant explanation.

The LaPorte County and Township Assessor contend that if these sales were appropriately used in a ratio study and the 2006 sales were excluded per 50 IAC 14 and 21, that the results would closely mirror those found in the 2006 LaPorte County Ratio Study.

Clearly the DLGF received the valid sales. The latest DLGF Statewide Data Status Report lists the LaPorte County Sales Data as being compliant, so obviously all required fields were included for every valid sale in the respective databases. That same information was provided to Denne. Mysteriously, over 80% of the valid sales from 2004 and 2005 are not used by Denne.

Sales from 2004 and 2005, if not exclusively then primarily, are those that should have been used by Denne. Instead, he utilizes sales in Tables 1 and 2 that are exclusively from the wrong year, and then in Tables 3 and 4, a sales database that is comprised of 2247 sales from 2006 and but 472 sales from 2004 and 2005. Even then, over 80% of this dataset is comprised of sales from outside the specified time frame. This is a significant error or omission.

Error #3: Erroneous Conclusion

Denne implicitly invokes a new standard on Indiana assessment performance. He opines that one should take subsequent data outside the two years preceding the assessment date per 50 IAC 21 and utilize that data as the performance standard. In other words, 2006 sales data is the definitive test of the quality of 2006 assessment data. We can not agree with this opinion since it is in direct conflict with current statute which reads:

50 IAC 21-5-1 Preliminary analysis

Authority: IC 6-1.1-31-1; IC 6-1.1-31-12

Affected: IC 6-1.1-4-4.5

Sec. 1. (a) Ratio studies shall be generated annually for each township and property class group. The local assessing official will review the statistics for the sales occurring during the two (2) years preceding the assessment date.

(b) The coefficient of dispersion (COD) should be examined for equity of current assessments. If the ratio study conducted reflects a coefficient of dispersion outside what the IAAO Standards

require, further stratification or a reassessment of that particular property group may be the only reasonable alternatives for restoring uniformity to the assessments.

(1) When the COD is less than or equal to 10.0, the local assessing official shall proceed under the premise that applying an annual adjustment factor to the classification will be sufficient to meet the requirements of this article.

(2) When the COD is greater than 10.0, the assessor must review neighborhood delineations and stratifications and may consider reviewing land values.

(c) Price related differential (PRD) measures assessment progressivity or regressivity. Stratifications with PRDs greater than 1.03 or less than .98 requires the same remedy as 50 IAC 21-11-1. (Department of Local Government Finance; 50 IAC 21-5-1; filed Dec 30, 2004, 5:28 p.m.: 28 IR 1455)

Denne's concept differs markedly from that outlined in 50 IAC 21-5-1. Here, the code specifies for the assessor to conduct a ratio study utilizing data from the prior two years. Sales data from 2005 and 2006 would be utilized to initiate the annual trending process for 2007 assessments. Again, the Indiana Administrative Code looks at this data as indicative of possible areas to receive in-depth analysis for 2007 assessments, not as a basis to return to the prior year (2006) and reassess.

The use of 2005 and 2006 sales in LaPorte County was the basis for the county's preliminary ratio study for 2007 pay 2008 trending. These studies indicated areas throughout the county that required further neighborhood review, stratification and reassessment, just as 50 IAC-21-5-1 contemplates.

As an obvious test of the so-called Denne hypothesis, Nexus Group performed ratio studies using 2005 and 2006 sales to similarly measure the 2006 assessment performance of other counties in addition to LaPorte County. Three counties have already had 2007 real property assessments and 2007 ratio studies approved by the DLGF (Dubois, Hamilton and Monroe). The Dubois County information lacked a critical required field (prior year assessed values) and was therefore unavailable for review. The three additional counties (Knox, Rush and Hancock) have submitted 2007 ratio studies for DLGF review and contain all required fields.

Again, we utilize the 2007 ratio approved ratio study for each county, but instead of comparing the 2005-6 sales data with 2007 proposed assessments, we compare it to the past data; assessments for 2006. This is exactly what Denne's October study claims is the basis for measuring assessment quality

Hamilton County Results:

Attachment 1 is a one-page summary of the results of this study. The entire study is included in the CD file and marked "Hamilton Co. Reworked Ratio Study".

We deleted property classes of no concern (agricultural vacant and improved) and eliminated all parcels that did not exist in the prior year. As with Denne, all that was required for analysis was that the sold parcel had a valuation in the 2006 assessment year.

Based on the Denne study hypothesis, **every** property class in Hamilton County **fails** at least one statistical measure for assessment level and/or uniformity. In other words, if the Denne approach is considered as the new assessment standard in Indiana, Hamilton County must immediately reassess their 2006 payable 2007 real property. Of course, keep in mind that Hamilton County 2006 real

property assessments have twice passed DLGF review, but do not pass the new Denne assessment test. Further, Hamilton County's 2007 ratio study has also been approved by the DLGF.

We do not believe that any substantial problems exist in regards to Hamilton County's 2006 or 2007 real property assessments. However, under the so-called Denne scenario, both years would require reassessment.

A conclusion to reassess is contrary to 50 IAC 21. Per 50 IAC 21 these preliminary statistical results indicate that the assessor should further stratify, delineate, trend and adjust the **2007** real property assessments, not reassess for **2006**.

Monroe County Results:

Attachment 2 is a one-page summary of the results of this study. The entire study is included in the CD file and marked "Monroe Co. Reworked Ratio Study".

Again, we deleted property classes of no concern (agricultural vacant and improved) and eliminated all parcels that did not exist in the prior year. As with Denne, all that was required for analysis was that the sold parcel had a valuation in the 2006 assessment year. Further, as Denne notes with LaPorte County, we had access to the 2006 sales information at the time when these assessments were formulated. This gives a significant bias to the results in favor of finding them to be in compliance with IAAO and the Indiana standards as in 50 IAC 14.

For Monroe County, there are 11 townships and 6 possible property classes to study. Eight studies pass the Denne test, but the vast **majority** of property classes **fail** one or more statistical measures. Again if the Denne approach is considered as the new assessment standard in Indiana, Monroe County must immediately reassess most of the real property for 2006 payable 2007. Again, Monroe County's 2007 ratio study has also been approved by the DLGF.

We are confident that no substantial problems exist in regards to Monroe County's 2006 or 2007 real property assessments. However, under the so-called Denne scenario, both years would require reassessment.

A conclusion to reassess is contrary to 50 IAC 21. Per 50 IAC 21 these preliminary statistical results indicate that the assessor should further stratify, delineate, trend and adjust the **2007** real property assessments, not reassess for **2006**.

We also investigated other Indiana county data under the same questionable premise. These additional study counties are: Knox, Rush and Hancock counties.

Knox County Results:

Attachment 3 is a one-page summary of the results of this study. The entire study is included in the CD file and marked "Knox Co. Reworked Ratio Study".

Again, we deleted property classes of no concern (agricultural vacant and improved) and eliminated all parcels that did not exist in the prior year. As with Denne, all that was required for analysis was that the sold parcel had a valuation in the 2006 assessment year.

For Knox County, there are 10 townships and six possible property classes to study. Only one (1) study passes the Denne test; **all other** property classes **fail** this new test. Again if the Denne approach is considered as the new assessment standard in Indiana, Knox County must immediately reassess most of the real property for 2006 payable 2007.

We have actively worked within the directives of 50 IAC 21 in adjusting real property assessments in Knox County. We are confident that no substantial problems exist with Knox County's 2006 or 2007 real property assessments. However, under the so-called Denne scenario, both years would require reassessment.

A conclusion to reassess is contrary to 50 IAC 21. Per 50 IAC 21 these preliminary statistical results indicate that the assessor should further stratify, delineate, trend and adjust the **2007** real property assessments, not reassess for **2006**.

Rush County Results:

Attachment 4 is a one-page summary of the results of this study. The entire study is included in the CD file and marked "Rush Co. Reworked Ratio Study".

Again, we deleted property classes of no concern (agricultural vacant and improved) and eliminated all parcels that did not exist in the prior year. As with Denne, all that was required for analysis was that the sold parcel had a valuation in the 2006 assessment year.

For Rush County, there are 12 townships and six possible property classes to study, but most townships do not have sufficient parcel counts or sales to produce any ratio study at all. For the property classes with any level of 2005-6 sales, **all property** classes **fail** this new test. Again if the Denne approach is considered as the new assessment standard in Indiana, Rush County must immediately reassess most of the real property for 2006 payable 2007. This is especially troubling in Rush County as every parcel in the county has been site visited at least once since the 2002 general reassessment. By the end of 2008, it is expected that every property will have been visited twice since 2002.

A conclusion to reassess is contrary to 50 IAC 21. Per 50 IAC 21 these preliminary statistical results indicate that the assessor should further stratify, delineate, trend and adjust the **2007** real property assessments, not reassess for **2006**.

Hancock County Results:

Attachment 5 is a one-page summary of the results of this study. The entire study is included in the CD file and marked "Hancock Co. Reworked Ratio Study".

Again, we deleted property classes of no concern (agricultural vacant and improved) and eliminated all parcels that did not exist in the prior year. As with Denne, all that was required for analysis was that the sold parcel had a valuation in the 2006 assessment year.

For Hancock County, there are nine (9) townships and six possible property classes to study; several townships do not have sufficient parcel counts or sales to produce any ratio study at all. For the property classes with any level of 2005-6 sales, only four property classes pass this new test and all remaining ones fail. Again if the Denne approach is considered as the new assessment standard in

Indiana, Hancock County must immediately reassess most real property for 2006 payable 2007. Again, this finding is very troubling given the effort put forth in re-visiting most of the parcels in the county since the 2002 general reassessment.

A conclusion to reassess is contrary to 50 IAC 21. Per 50 IAC 21 these preliminary statistical results indicate that the assessor should further stratify, delineate, trend and adjust the **2007** real property assessments, not reassess for **2006**.

Correct Analysis, Incorrect Conclusion

Denne's October report, even though comprised mostly of sales from the 2006 time period is vastly similar to our own *preliminary* analysis for LaPorte County (not contained herein). However, the correct interpretation of this result is that the information indicates the need for continued stratification, refinement and assessment adjustment per 50 IAC 21 for 2007 pay 2008 real property assessments. Having been intimately involved in the creation of the state's annual trending rule, this was the original intent of the preliminary ratio study each county is to conduct.

In no way does that analysis indicate a need to go back to the **prior** year and reassess. That conclusion is simply, grossly incorrect.

That same conclusion should likewise be reached in reviewing Attachments 1-5 hereunder; the real property assessments in the various counties **do not** require reassessment for 2006 pay 2007. Each county should have, and to the best of our knowledge and based on the submitted ratio studies indeed did, engage in a stratification and adjustment process for 2007 pay 2008 real property assessments. The 2007 ratio studies submitted by each county to the DLGF indicate compliance with virtually all statistical measures. Likewise, parcel-by-parcel reviews indicate that most parcels have different 2006 assessments than proposed for 2007. All these counties appear to have followed 50 IAC 21 and 50 IAC 14 by engaging in an active review process, stratifying and re-examining 2007 real property assessments. None of these counties has yet been subject to a reassessment order for 2007 real property. None were subject to a reassessment order for 2006 real property assessments after considerable review by the DLGF.

We agree with the directive of 50 IAC 21 in attempting to appropriately interpret Denne's October report. Many property classes of LaPorte County require further stratification, delineation and re-examination prior to finalizing **real property assessments for 2007 pay 2008**. However, that directive is diametrically opposed to the suggestion of Denne and the desire of Wendt to reassess real property for **2006 pay 2007** based on these findings alone.

Mr. Atherton's Letter for 10-29-07 – Responses

In his letter of 10-29-07, Mr. Thomas Atherton points to three supposed critical elements of Denne's October report. We will likewise add commentary to those summations.

Relevance of the evidence

The October Report is relevant from the perspective of whether or not LaPorte County should engage in the annual adjustment process for 2007. The analysis of the report, as well as our own, suggests that the annual adjustment process is critical in LaPorte County in an effort to accurately, fairly and uniformly assess real property for 2007.

The October Report has no relevance regarding the accuracy and uniformity of 2006 real property assessments in LaPorte County

Study's Conclusions

While those unfamiliar with the process and nature of Indiana real property assessments might believe that Mr. Denne's October Report is irrefutable evidence of non-conforming real property assessments for 2006 in LaPorte County, the truth of the matter is that it simply shows the need for continuing annual adjustments, not only in LaPorte County, but in all counties for which data is available.

There is no evidence to order reassessment for LaPorte County in regards to 2006 real property values. On the contrary, there is evidence that the 2006 real property values are indeed within both IAAO standards as well as those expressed in 50 IAC 14 and 50 IAC 21.

Qualifications of the analysts

We are unfamiliar with other non-collaborative work by Mr. Denne, outside of the two reports (February and October) provided for Mr. Wendt's ongoing litigation against LaPorte County. In both instances, we have conclusively demonstrated that either Mr. Denne is unfamiliar with basic assessment requirements expressed in either Indiana Code and/or Indiana Administrative Code, or that he simply chooses to ignore the relevant directives and code. For either or both reasons, the October Report does not justify a reassessment order. Hopefully his work in other jurisdictions outside of Indiana is superior to the product at hand.

In both the February and October reports, the nature of Denne's analysis is not supported by the factual background of basic Indiana assessment elements. Simple items are overlooked: the valuation date relevant for a particular assessment year, the required sales period to judge the accuracy of relevant assessment data, etc. How many basic errors are necessary before the "pre-eminence" of one's qualifications are questioned?

Perhaps in the case at hand, one might also consider the motivation. Mr. Wendt is actively prosecuting LaPorte County on various grounds in multiple cases. Mr. Wendt contracted with *Almy, Gloudemans, Jacobs & Denne* to produce this report. One must at least consider that the supposed evidence and conclusions are not an independent analysis of fact. Rather, existing data unsupportive of the desired conclusion has been ignored.

Denne's February report did not even recognize that 2005 real property assessments were based on a different valuation date than 2006 assessments. Denne's October report mysteriously ignores 83% of the existing valid sales from 2004 and 2005, and then uses sales from mostly the wrong time frame. Those errors are irrefutable and point to significant shortcomings in Denne's work in these instances.

Further, we are more familiar with the work of Mr. Gloudemans of *Almy, Gloudemans, Jacobs & Denne*. An interesting note is that Mr. Gloudemans received an exceedingly competitive award and grant (David C. Lincoln award) from the highly prestigious Lincoln Institute of Land Policy in 2000, 2001 and 2002. Only five or so grants were extended world-

wide each year. It certainly is indicative of the typical quality of work generally associated with Mr. Gloudemans.

It should be noted that we also received this same grant from the Lincoln Institute of Land Policy for the same time period. Our results, especially in Indiana, speak louder than our lengthy resumes. No underlying assessment issues have ever been documented in any county in which we have performed sales ratio studies.

Further, Nexus Group provided detailed commentary to the DLGF in regards to the construction of 50 IAC 14 and 50 IAC 21. The language contained therein is plain, straightforward and very specific. Non-Ph.D.'s follow those requirements without error; why not Denne's studies?

If the DLGF accepts the analytical format as proposed by Denne, current Indiana Administrative Code will be overturned and rendered null and void. Based on the evidence at hand, it is implausible that any Indiana county would pass Mr. Denne's notional measure of assessment accuracy and uniformity.

Summary

Denne's October Report could have followed the requirement of 50 IAC 21 in examining the accuracy and uniformity of the 2006 real property assessments if he had utilized the valid sales from the 2004-5 time period as provided to him and/or the DLGF. He chose not to utilize those sales and instead used sales from 2006.

Denne's October Report could have followed the specifications of 50 IAC 21 in terms of the assessor's responsibilities when sales data from 2006 is indicative of underlying assessment issues. If the report had done so, a conclusion of further stratification of assessments would be reached for 2007 pay 2008 real property in the vast majority of property classes in LaPorte County. He and Mr. Wendt chose to ignore 50 IAC 21 and demand a reassessment in the prior year.

There is NO EVIDENCE presented in either the February or October reports that support a reassessment order for LaPorte County 2006 real property assessments. Rather than being an independently commissioned study, Mr. Denne simply reaches the conclusion sought by his client, Mr. Wendt, in claiming that assessments and taxes are not fair. Unfortunately for Denne and Wendt, Indiana Administrative Code could not be more clear as to what data is relevant for the assessment year in question. Indiana Administrative Code completely supports the assessment activities of the LaPorte County Assessor and respective Township Assessors

There is, however, substantial evidence as supplied to and approved by the DLGF that 2006 real property assessments in LaPorte County are within IAAO standards as well as those in place in Indiana Administrative Code. We urge the DLGF to follow the existing codified standards, as well as the language in every re-trending directive, and notify Denne/Wendt that they have once again missed the mark. Likewise, we implore the DLGF to again, re-approve the 2006 real property assessments for LaPorte County.

While we appreciate the opportunity to respond to these continual allegations and support our work, the citizens of LaPorte County demand and deserve better. These efforts and inherent delays have cost

the taxpayers of LaPorte County tens of thousands of dollars in additional, unnecessary legal and consulting fees and hundreds of thousands of dollars in delayed property tax billings and collections that will likely extend into 2008.

This is the second such attempt by Denne/Wendt to circumvent the appeals process that is available to every property owner. Neither of Denne's studies contain any information about the accuracy of 2006 real property assessments in LaPorte County, but both studies demonstrate that a well-funded taxpayer can ignore the usual processes and stymie an assessment and taxation system. That is, as long as such supposed evidence is given any more consideration than it is due. Nothing prevents Wendt from presenting this supposed "evidence" at the formal appeal of his own parcel.

Per the requirements of 50 IAC 14-10-1 and 50 IAC 21-12-1 the DLGF is to utilize information in its possession to ascertain if the county and township assessments meet the IAAO standards for assessment accuracy and uniformity. To the best of our knowledge, all known information in possession of the DLGF to judge the accuracy of 2006 real property assessments in LaPorte County consists of:

A). 2006 LaPorte County Ratio Study

This study utilizes 2915 valid sales, 97% of which are from the 2004-2005 time frame. The study finds all property classes are within the specified assessment standards based on sales from the specified time period. The study's results suggest no DLGF action.

B). Denne October Report

This two-part study utilizes

- in Tables 1 & 2, no sales from 2004-2005, instead time-adjusting sales from 2006; and
- In Tables 3 & 4, combines a partial subset of the available 2004-2005 valid sales (472 out of 2900, or about 16%) with time-adjusted 2006 sales.

The study finds that time-adjusted 2006 sales as compared with 2006 real property values do not meet assessment standards. Reassessment is the suggested response by the author.

The DLGF has only one study that utilizes the correct dataset to gauge the accuracy of 2006 real property assessments in LaPorte County – the 2006 LaPorte County Ratio Study. Denne's October report lends itself to suggested real property adjustments for 2007 real property assessments, not a reassessment of 2006 property values. There is no affirmative data in possession of the DLGF suggesting or supporting a reassessment of 2006 real property for LaPorte County. We urge the DLGF to comply with the specifications of 50 IAC 14-10-1 and 50 IAC 21-12-1, review the data in its possession and allow the 2006 assessment, taxation, collection and billing processes in LaPorte County to proceed, again.

Further, we urge the DLGF to more closely examine future evidence from Mr. Denne. His unique outlook simply does not compare favorably with Indiana Administrative Code that governs these activities. We remain concerned that this additional review procedure allowed to similarly situated taxpayers establishes a groundless precedence and an unnecessary, expensive hurdle for any Indiana county.

Finally, in your November 20, 2007, letter to LaPorte County Assessor Carol McDaniel, you state:

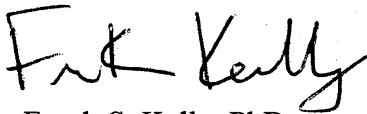
"In order to ensure fair, just, and accurate assessments in LaPorte County, the County, the Department, and Mr. Wendt must analyze and review the exact same data."

We could not agree more with this statement. We respectfully request that the DLGF and Mr. Denne consider the required sales data to measure the quality of the March 1, 2006 assessments in LaPorte County and every other county in the state. Indiana law clearly directs the counties to use 2004 and 2005 sales data as part of the annual trending process for March 1, 2006.

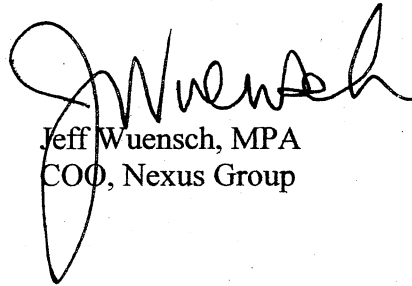
At first blush, Denne's October Report appears impressive. However, on closer, detailed review, it becomes clear that the study utilizes the wrong sales information and reaches the wrong conclusion per Indiana Administrative Code. As a commentary of the quality of the 2006 real property assessments in LaPorte County, it must be rejected in its entirety.

On behalf of the LaPorte County Assessor and respective Township Assessors, we respectfully request that Mr. Denne's October report be dismissed as having no factual basis for reassessing LaPorte County real property for 2006 pay 2007.

Sincerely,



Frank S. Kelly, PhD.
President, Nexus Group



Jeff Wuensch, MPA
COO, Nexus Group

CC (w/out enclosures):

Carol McDaniel, LaPorte County Assessor
Teresa Shuter, LaPorte County Auditor
Ken Layton, LaPorte County Treasurer
LaPorte County Township Assessors
LaPorte County Commissioners
LaPorte County Council
Shaw Friedman, Esq.
Marilyn Meighen, Esq.
Judy Sharp, Monroe County Assessor
Carol Maynard, Hancock County Assessor
JoAnn Herbert, Rush County Assessor
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